

The Distribution of Property

By Charles B. Spahr

THE State of New York has placed within reach of the public the long-needed materials for determining how far the wealth of the Nation signifies the comfort and independence of the mass of its citizens, and how far it signifies the enrichment and power of a comparatively few. A law passed year before last in connection with the taxation of inheritances made it the duty of executors and administrators to file with Clerks of Surrogate exact records as to all estates, whether subject to taxation or not. While lecturing at Columbia upon the Distribution of Wealth, the writer began an investigation of these records, meeting with most gratifying courtesy on the part of the Clerks of Surrogate. On behalf of The Outlook he has carried forward this investigation in all parts of the State, until a three months' record has been secured from a majority of the counties, embracing a population of nearly five millions. This furnishes a fairly wide basis for generalization, not only respecting the State, but respecting the country at large.

The investigation began early last spring with New York City. During the three months immediately preceding, the Jay Gould estate had been probated, making the returns abnormal. Therefore the last quarter of 1892 was selected as the period to be covered.¹ During these months, though thirty-six hundred men and women over the age of twenty-five had died, only nine hundred odd had left estates. It was clear, therefore, that more than one-half of the families represented had left no property whatever—not even a savings-bank account. During the three months taken, while eighteen hundred men at the head of families died, only six hundred left anything outside of their household furniture.

What, then, was the distribution of property among the possessing classes? Here arbitrary classification is necessary, and the estates have been classified according as their value was less than \$5,000, between that sum and \$50,000, or in excess of \$50,000. The 969 estates probated in New York City were divided among these classes as follows:

	No. of Estates.	Aggregate Value.
Below \$5,000.....	704	\$590,172
\$5,000 to \$50,000.....	212	3,538,313
\$50,000 and over.....	53	12,437,511
	969	\$16,565,996

In other words, among the possessing classes, those holding less than \$5,000, although outnumbering the well-to-do and the rich nearly three to one, held less than four per cent. of the property, while the comparatively few holding over \$50,000 owned three times as much as all other classes combined.

This, however, was for New York City, and the concentration of wealth in this city is notorious. More wealth is owned in this city than in all the Southern States combined, and such is the value of realty that practically no one worth less than \$5,000 can possess any at all. No generalization, therefore, respecting the country at large can be made from the above data; indeed, they could not, without other evidence, be said to represent faithfully the general distribution of property among the great cities of the country. Of the latter, however, Brooklyn furnished a fair example, and the Surrogate's returns for that city show no very marked differences. Here again it was found that less than one-half of the heads of families dying during the quarter left any estates whatever; that the richest class held three times as much as all the other classes put together; while what is called the "great middle class," though embracing two-thirds of the property-owners, held less than six per cent. of the property. Yet it is in alleged defense of the middle classes—the small investors and shopkeepers, and home-owners—that the metropolitan press

generally resists measures to lighten the burdens upon the wages of labor, whether imposed by the Government itself or by chartered monopolies.

But New York City and Brooklyn do not at all fairly represent the State of New York. It has been a matter of common observation that in the rural districts property is much better distributed. This observation is shown by the returns from the Surrogates' offices to be thoroughly in accordance with the facts. In some of the agricultural counties, unfortunately, the Surrogates' records are badly kept, but from ten such counties where they are well kept the following typical returns were received:

	No. of Estates.	Aggregate Value.
Under \$5,000.....	337	\$613,182
\$5,000 to \$50,000.....	131	1,538,348
\$50,000 and over.....	5	505,340
	473	\$2,656,870

As the population of these ten counties was half a million, the number of men at the head of families who died during these three months was approximately 550. Of the 473 estates, approximately 300 were left by men. This demonstrates that in the neighborhood of sixty per cent. of the families represented were property-holding. This shows a distribution of property half again as wide as in either New York or Brooklyn. This showing is particularly good, inasmuch as some farm tenants doubtless died, who, in addition to their household furniture, owned some farm stock and implements. In the cities there is no longer a corresponding form of ownership for the poorer classes, since the machinery of production is almost exclusively owned by employers.

But this is only the beginning of the evidence of the better distribution of wealth in the agricultural districts. Whereas in the two great cities those holding less than \$5,000 owned less than six per cent. of the wealth, they here held nearly twenty-four per cent.; and it required the well-to-do and the richer classes combined to hold as large a proportion of the wealth as was held in the cities by the richer classes alone.

It is only as regards the better distribution of the wealth, however, that the comparisons are favorable to the agricultural counties. The amount of wealth to be distributed is much less than in the cities. In New York and Brooklyn the average value of the estates was respectively \$17,000 and \$18,000. In the agricultural counties the average value of the estates was less than \$6,000, or but one-third as much. Even when we take into account the proportionately smaller number of estates in the cities, the difference in wealth between city and country is most marked. In the cities the property left averaged over \$9,000 for every head of a family who died during these three months. In the agricultural counties the average was less than \$5,000. Despite, therefore, the vast tenement-house population without property, the average wealth in the metropolis is about double that of the agricultural counties.¹

Turning now from the consideration of separate sections to the consideration of the State as a whole, the following table summarizes the results reached:

	No. of Estates.	Aggregate Value.
Below \$5,000.....	2,467	\$3,187,300 02
\$5,000 to \$50,000.....	768	10,811,845 18
\$50,000 and over.....	116	28,215,273 77
	3,351	\$42,214,418 97

As the population covered by this table was 4,628,000, the number of heads of families who died during the quarter was approximately 5,000. (10,000 men and women over twenty-five died during this period. About 2,100 men and 1,250 women left estates.) The amount of property left for each head of a family who died was \$8,000.

¹Mr. Keenan, of the Surrogate's office, to whose kindness I was especially indebted for the returns, remarked upon handing them to me that the three months selected were notable for the unusually small number of estates reaching one million—there being but two, and those two aggregating only \$2,100,000.

¹The agricultural counties of New York, it may be said, are as rich as any in the entire country. The census of 1880 estimated the average value of New York farms at \$5,000, Kansas farms at \$2,000, and Carolina and Georgia farms at \$500.

Those holding less than \$5,000, however, and representing seven-eighths of the families, held less than eight per cent. of the wealth, while those holding over \$50,000, though representing but one-fiftieth of the families, held twice as much wealth as all the remainder.

Without doubt this represents fairly the distribution, or rather the concentration, of wealth in New York. The only variable element in such tables is the number and value of estates valued at a million and over. The number of millionaires in the State, as the "Tribune's" well-prepared list showed, is about fifteen hundred. But even in such a body the number of deaths in so short a period as three months will fluctuate sharply. To get rid of this fluctuating element, the last group in the table above should be subdivided as follows:

	No. of Estates.	Aggregate Value.
\$50,000 to \$1,000,000.....	110	\$18,465,273 77
\$1,000,000 and over.....	6	\$9,750,000 00

It so happens that the millionaires held the same proportion of the total wealth as Mr. George K. Holmes, of the Census Bureau,¹ estimates that the millionaires of the country hold of the wealth of the country. Nevertheless, this proportion of very large estates, though normal for the entire country, is less than normal for the State of New York.

This leads us to the concluding generalization. The ownership of property is more concentrated in New York than in the country at large. It would be unfair, therefore, to use the tables for New York State in making estimates for the entire country. New York City contains more estates in excess of \$1,000,000 than Massachusetts, Pennsylvania, and Ohio combined. Even outside of this city New York State has more than its proportion of the great estates. It is necessary also to omit the city of Brooklyn before we have a territory typical of the country at large. Omitting these, we find in the remaining thirty-five counties reporting, the following distribution of estates:

	No. of Estates.	Aggregate Value.
Below \$5,000.....	1,427	\$2,085,098 02
\$5,000 to \$50,000.....	409	\$5,184,196 18
\$50,000 and over.....	36	\$8,794,662 77
	1,872	\$16,063,956 97

As this table most nearly represents the distribution of property throughout the Union, it demands analysis. The population of the counties tabulated was 2,300,000; so that the number of men at the heads of families who died during the quarter was approximately 2,500. A little less than 1,200 men left estates, but as some of the women who left estates were not the wives or daughters of property-owners, it is safe to say that just about one-half of the families in which deaths occurred were property-owning—at least to the extent of a savings-bank account. The remaining half, with the exception of farm tenants, possessed nothing besides their household effects.

Of the property-owning half of the people, three-quarters possessed thirteen per cent. of the wealth, while one-fiftieth possessed fifty per cent. of it. Transferring these proportions to the Nation at large, we find the sixty billions of National wealth to be distributed among the twelve and a half million families somewhat as follows:

	No. of Families.	Aggregate Wealth.	Average Wealth.
Below \$5,000.....	11,000,000	\$8,000,000,000	\$750
\$5,000 to \$50,000.....	1,375,000	22,000,000,000	16,000
\$50,000 and over.....	125,000	30,000,000,000	240,000

In short, eighty-eight per cent. of our families possess but one-eighth of the wealth, while one per cent. possess as much as the remaining ninety-nine per cent.

Whatever error there is in this table is demonstrably on the side of understating the present concentration of wealth, for in the returns made to the Surrogates the debts are not yet deducted from the value of the estates, and it is the small house-owners and shopkeepers and farmers whose debts cover the most considerable portion of their holdings. We must recognize, therefore, that the Nation's vast wealth does not bring comfort, culture, and independence to the rank and file of the people. If the Nation's wealth is to mean the Nation's well-being, the rank and file of the people must reverse the policies which the rich and the tools of the rich have thrust upon them. In the domain of National taxation there must be an end of the

¹ "Political Science Quarterly," December, 1893.

system of indirect taxation by which five per cent. of the wages of labor are taken from labor in the dark, and in its place there must be the direct taxation of the incomes from property, proportioned as the awakened public conscience would proportion it. In the domain of local taxation there must be an end to the overburdening of individual holdings of realty, and all property, personal as much as real, corporate as much as individual, must be taxed alike, wherever it has its tangible existence. And to this must be added the rapidly progressive taxation of inheritances, if the separation of classes is not to go on increasing. In the domain of finance there must be an end to the policy of contraction and the robbery of debtors for the enrichment of creditors. In the domain of industry there must be an end to the policy of permitting natural monopolies to be managed in the interests of their owners as opposed to the interests of the public. Even these radical measures will not prevent the increase of the fortunes already injuriously great. The Nation's wealth to-day is four times what it was thirty years ago; thirty years hence it may be nearly four times what it is to-day. If this increased wealth is to bring with it the independence and comfort and educated manhood and womanhood of the mass of our people, the conscience and heart of the Nation must take hold of this problem.



Business Failures

By the Hon. William Whiting

As Interviewed by Clifton Johnson

This article is the result of a conversation with the senior member of the Whiting Paper Company, one of the largest and most successful houses in its line in the country. The talk was carried on in Mr. Whiting's private office in a corner of one of the big mills of the company at Holyoke, Mass. In the office was comparative quiet, though the muffled din and jar of the machinery in the mill proper were still apparent. Mr. Whiting sat at his desk, which, like that of most business men, was strewn with letters, papers, and odds and ends. The reporter had a seat near a window, and caught the other's words both in sense and substance as nearly as possible in what follows.

When I was a boy, I used to think that the storekeepers were about the most comfortably fixed of any class in the community. I always saw them taking in money, and I wondered what they did with it all. What I did not see or think of was the bills they had to pay and their losses and expenses. My view as a boy illustrates very well the way, to a degree, that every man who is an outsider looks at the business of another. Almost invariably he sees the pleasant side; and that may be no more than a shell of prosperous appearances. Only the man inside knows the weak points of his business, and the best business has weak points. It does a concern no good to have these advertised, and the men inside simply guard them and keep silent.

Whether you buy out a business or start anew, you will find the greatest difficulty in fairly realizing the dangers and contingencies of it beforehand. In ninety-nine cases out of one hundred you will find you have underestimated expenses. It is easy to figure out a profit as an outsider. It is difficult to realize that profit as an insider.

A danger that the younger men and those who take up a new business are apt to encounter lies in their eagerness to branch out, to make improvements, and to abandon the moss-grown methods of their predecessors. This all sounds very well, but in practice it too often results in disaster. As an instance, there are the Baring Brothers, an old house of conservative spirit and the greatest supposed stability. Their failure was the result of the enterprise of new members of the firm who found the old ways too slow and narrow. The only safe course in business is to hang on to the sure things, to make changes gradually, and only after the most careful consideration.

The tendency in our country is to extend one's business